ROUNDTABLE

SPONSORS
DEBEVOISE & PLIMPTON • LGT CAPITAL PARTNERS • NSSK
THRIVE ALTERNATIVES

The guardians of alpha

While a handful of pan-Asian mega-funds are soaking up the majority of LP interest, it is the local mid-market champions that will deliver outsized returns for investors in Asia-Pacific, write Amy Carroll and Alex Lynn

Following a protracted fundraising drought in Asia-Pacific, more money was amassed for the region in the first half of this year than in the entirety of 2025: according to *Private Equity International*'s *H1 2026 Fundraising Report*, $50.9 billion was raised by the region in the first half versus $33.6 billion for the whole of last year.

To understand what is driving this rebound, we must first consider what precipitated APAC's fundraising decline in the first place.

"There were a number of reasons why the fundraising environment became challenging in Asia, including a reduction of interest in China for geopolitical reasons. At the same time, structural changes mean global allocators no longer allocate by region: they look for the best relative value, wherever it is in the world," says Jackson Chan, CEO and co-founder of Thrive Alternatives, speaking on *PEI*'s annual Asia roundtable. "Disappointing returns and DPI in Asia, therefore, saw investors questioning why they would deploy capital in those markets when the US, for example, has been performing so well."

These same investors are now starting to reconsider those actions. "The market has repriced, so return expectations are improving and Asia is taking a leading position in certain key investment themes, notably China and AI," says Chan. "Japan is also entering into a golden age, and India is doing well too. In the past, the Asia story was largely about the macro; now it is about the fundamentals as well. That is all making this a more investable market."

The lion's share of the returning capital, however, is making its way into pan-regional mega-funds.

"We do see signs of recovery in the APAC market, but that recovery is concentrated," says Guang Yang, partner at Debevoise & Plimpton. According to *PEI*'s fundraising report, three large, pan-Asia private equity funds accounted for around three-quarters of capital raised in the first half. "EQT raised $15.6 billion, Blackstone raised $13.1 billion and Bain Capital raised $10.5 billion. These managers offer scale and perceived safety, and therefore continue to attract commitments."

Doug Coulter, partner and co-head of private equity for Asia-Pacific at LGT Capital Partners, believes accessing the region exclusively through these large global firms may not be the best approach.

"The majority of investors that still believe in having a globally diversified portfolio are allocating to a handful of pan-regional mega-platforms. However, we believe that even though those firms employ some of the best private equity professionals in the region, the funds are too large for the opportunity set, particularly as most

Guang Yang

Partner, Debevoise & Plimpton

Guang Yang is a partner at Debevoise & Plimpton, based in the firm's Shanghai and Hong Kong offices. He joined the law firm in 2019.

Doug Coulter

Partner and co-head of private equity, Asia-Pacific, LGT Capital Partners

Doug Coulter joined LGT Capital Partners in 2007 to co-lead its Asian private equity investment activities. Prior to LGT CP, he made direct investments in emerging markets at the International Finance Corporation.

Jun Tsusaka

CEO, NSSK

Jun Tsusaka is the founder, chief executive and chief investment officer of Japan's NSSK, as well as chairman of its ESG committee. He was formerly a partner at TPG Capital.

Jackson Chan

CEO and co-founder, Thrive Alternatives

Based in Hong Kong, Jackson Chan was the co-head of Asia for Easton Partners prior to co-founding Thrive Alternatives in 2021.

don't invest in China. This means that the small number of large equity cheque deals across the region are competitive auctions, and entry valuations are generally high," Coulter explains. "Therefore, our view is that this current vintage of mega-funds in the region will disappoint."

The real returns in Asia, according to Coulter, will come from smaller mid-market and growth managers, as well as the secondaries market. "Allocating to the large-cap firms will get you market beta and a safe pair of hands, but ultimately, these are asset gatherers. You might achieve better returns by delving deeper into individual markets."

For a market experiencing a tentative recovery, the prospect of more disappointment is concerning. Different investors have different priorities, however. "Large allocators need to put so much money to work that they will continue to go with pan-Asia funds, even if they recognise they are getting a beta return. They won't be disappointed, because they know what they are getting," says Chan. "Problems will arise if those LPs chasing alpha by going into country-specific and sector-specific funds are disappointed."

Coulter, though, is confident that there are quality local mid-market Asia funds that can deliver. "All the noise in Asia at the moment seems to be about the mega-cap funds. It reminds me of the period before the global financial crisis when the American private equity firms were all setting up shop in Asia and absorbing a lot of the capital. But just because you're not a mega-firm, it doesn't automatically mean you're an emerging manager," he says. "This isn't 2006, and many of the best-in-class mid-market Asia funds have outperformed the large and mega-market funds through multiple cycles."

Coulter adds that, while many pan-Asian funds perform well in one or two of Asia's major markets – India, China, Japan and Australia – no one has cracked the code for all four. "Being locally connected in all the major markets is incredibly difficult, which is why I think the local domestic firms are the guardians of alpha."

Winners and losers

Investors are nonetheless cautious in their approach, and fundraising for country-specific funds in Asia is generally still tough. There are areas of exception, however, most notably Japan.

> *"We are starting to see investors returning to China... A big part of this renewed appetite is AI. Anyone looking to access the AI thematic holistically has to invest in both the US and China"*
>
> **JACKSON CHAN**
> **Thrive Alternatives**

"Japan is playing a significant role in driving renewed interest in Asia," says Jun Tsusaka, CEO of NSSK. "The fundraising environment in Japan – and to a lesser extent, India – is very different to the rest of the APAC region, and potentially the rest of the world. This is one of the easiest environments to raise money [in that] I have experienced in my 20 years in the industry. Our latest fund was 2.5x oversubscribed."

Tsusaka also believes that any concerns around competitive dynamics as a result of Japan's growing popularity are unjustified. "Japan is a $5.5 trillion economy with only five or six local GPs in the $2 billion-plus category. Taking the pan-regional players into account, that means just 13 or 14 firms in total," he explains. "Juxtapose that with Europe or the US or China in its heyday: there are thousands of firms in New York and California alone. At the same time, we are seeing a structural explosion in dealflow. Family businesses are selling. There are corporate carve-outs, governance driven sales and, most importantly, public-to-privates."

While Japanese GPs are in high demand, there's no doubt that many Asia-Pacific managers may have raised their last fund elsewhere.

"I think it's inevitable," says Coulter. "It's hard to raise funds right now, so if you can't demonstrate strong returns on a global scale, if you don't have a stable team, a deep partner bench, effective governance and, critically, true alignment with your LPs, it's going to be difficult to survive when so much capital has receded from the region."

LGT Capital Partners has a dedicated pool of capital for Asia. However, other investors with a global pool can choose to allocate nothing to Asia if they don't think it's justified. "That's why $500 million is the new $2 billion in Asia. Outside of the mega-sphere, fund sizes are getting smaller," says Coulter.

"But that isn't necessarily a bad thing: for those that do successfully raise funds, even if below target, there's less competition and lower valuations, so it's a buyer's market. It's starting to feel a lot like Asia-Pacific private equity in the early days."

Meanwhile, firms are also coming up with creative ways to navigate the fundraising environment. "Some clients are opting to set up single investment project funds rather than going out to raise blind-pool vehicles. That allows investors to really dig into the investment thesis for the deal, as well as the operational capabilities and strategy that the firm has for adding value," says Yang.

"Later on, if the investment performs well, the manager may then be able to broaden its relationship with those LPs. We are also seeing CVs being used in a similar way: GPs are offering investors exclusive access to their crown jewel assets on the understanding that those investors will then be prepared to come into a flagship vehicle."

A controlled approach

The Asia private equity market that is re-emerging today is notably different in character to its predecessor. A decade ago, Asia was very much viewed as a growth play, given China's dominance in portfolios. Today, however, the focus is increasingly on control.

"Pure minority growth investment is challenging right now. Valuations are high, exits are difficult and returns have struggled," says Chan. "We are therefore seeing a bifurcation between buyouts in the more developed Japanese, Korean and Australian markets, and

Japanese venture

Government-level investment in AI and other technologies could be a boon for the country's VC landscape

Despite its flourishing buyout market, the Japanese venture market remains nascent. NSSK's Jun Tsusaka is among those exploring how best to catalyse the strategy.

"I was part of a government initiative examining the status of the venture capital industry in Japan and why it is such a laggard," Tsusaka says. "We spent two years, supported by MIT, studying the ecosystem. The conclusion was that in order to fix Japan's venture problem, we first need to fix the wider problem of market inefficiencies. It has taken us 15 years to get to the point where we have all four private equity markets operating on all cylinders – business succession, carve-outs, take-privates and corporate governance-driven transactions. All of these things will create better companies, with stronger cashflows that can then be ploughed back into new technologies."

This summer, the Japanese government dedicated ¥1 trillion ($6.3 billion; €5.45 billion) to the development of next-stage mobility, drones, humanoid robotics, energy advances and AI applications. "I do believe that we now have the chance to create unicorns in some of these markets, because not only is the money there, but the demand is there too," Tsusaka adds. "However, I don't think it will be the traditional venture capital firms that will get us there: it will be private equity firms. Because, while extremely talented, our venture capital community does not yet have experience in building multibillion-dollar organisations, but our private equity community does."

then a focus on early-stage venture in markets like China."

Coulter, meanwhile, says regional diversification inevitably delivers diversification by stage as well. "We try to replicate what the pan-regional firms are doing by building a diversified Asia portfolio with equal weighting across China, India, Japan and Australia. China and India are growth-orientated markets, while Japan and Australia are more traditional Western buyout markets – although with less competition, lower multiples and less leverage than the US and Europe.

"We don't think of Asia as a venture, growth or buyout market: our goal is simply to achieve good geographical and style diversification, focusing on the best performers in the small and mid-market, and the rest takes care of itself. If you then add a significant allocation to secondaries and co-investments to the mix for additional alpha, I think you can do very well."

Asia's secondaries opportunity

Participants describe the Asia secondaries opportunity as particularly interesting, especially in China.

"We're seeing a generational secondaries opportunity in the Chinese market," says Coulter. "When we started seriously looking at this opportunity two to three years ago, we created a buy list of assets we wanted to acquire and pursued them. Many investors, ranging from family offices to US endowments, are looking to exit China – either to clean up their books or because they have received an edict from above. This is creating opportunities to buy high-quality companies at very reasonable prices."

The CV market in Asia has been slow to gather pace, however. "We have seen a strong pipeline of CV deals in Asia due to a marked downturn in traditional exits, but while a few have now taken place, that pipeline hasn't translated into a significant uptick in activity," says Yang. "This is largely due to a wide bid-ask spread – particularly in the China market, where sellers are being asked to accept steep discounts."

"We are seeing a lot of GPs trying to use CVs, but few have closed due to a mismatch in pricing expectations," agrees Chan. "We do believe this is starting to change, however, as people become more realistic about the valuations that can be achieved and as the quality of assets improves. Initially, the Asia CV market was dominated by Chinese venture assets that had performed very poorly. Now we are seeing a more interesting mix of companies."

Certain markets in APAC are already seeing renewed interest in CVs. This includes China, where activity is partly fuelled by LP pressure, and India, where local market participants are placing more emphasis on distributed-to-paid-in ratios.

Marquee transactions have also garnered more attention for secondaries

Dragging things out

Fund-life extensions are becoming a common occurrence in Asia-Pacific

A dearth of exits in APAC means managers are increasingly asking their LPs for extensions to the typical 10-plus-two fund life.

"We're definitely seeing more funds requesting to go beyond their extension period," says LGT Capital Partners' Doug Coulter. "We receive so many requests that we've had to streamline the evaluation process. Our priority is ensuring that alignment remains intact: we see too many examples of fund managers in Asia-Pacific holding on to assets just for the management fee, rather than wrapping up and moving on."

APAC saw $150 billion of exits last year, up 24 percent from $121 billion in 2024 and marking a four-year high, according to Bain & Co's *Asia-Pacific Private Equity Report 2026*. This was attributed in part to a 70 percent increase in IPO value year-on-year. Nevertheless, the number of Asia-Pacific portfolio companies held for more than five years rose 18 percent year-on-year, with the average age of current holdings climbing from 3.7 years at the end of 2024 to four years by end-2025.

NSSK's Jun Tsusaka says LPs are generally constructive in these scenarios. "LPs place a huge vote of confidence in you as a manager when they commit capital, so their job is to help you succeed," he says. "Most will work with the GP to find a reasonable solution. Of course, if the manager has effectively given up, cut resources and if senior people have left, that becomes an unwinding situation."

From a legal perspective, even if an extension request is turned down, it typically doesn't mean the fund has to go into fire-sale mode, explains Debevoise & Plimpton's Guang Yang. "It just means the fund is entering into a liquidation phase and no new investments should take place. GPs typically are still afforded a reasonable timeframe in which to maximise the value of the remaining assets in an orderly way for the benefit of the LPs."

> *"While a few [CV deals] have now taken place [in Asia], that pipeline hasn't translated into a significant uptick in activity"*
>
> **GUANG YANG**
> **Debevoise & Plimpton**

> *"Allocating to the large-cap firms will get you market beta and a safe pair of hands, but ultimately, these are asset gatherers. You might achieve better returns by delving deeper into individual markets"*
>
> **DOUG COULTER**
> **LGT Capital Partners**

activity in the region. For example, the single-asset GP-led fund housing a stake in the National Stock Exchange (NSE) of India, backed by HarbourVest Partners, LGT Capital Partners and Pantheon, has generated a 3x unrealised return as of September 2025, affiliate title *Secondaries Investor* reported at the time.

According to *Secondaries Investor*'s full-year 2025 *CV Deal Log*, the region saw at least eight GP-led CVs close last year, double the number seen in 2024.

Tsusaka says the main reason why Japan hasn't seen more CV deals is that other exit routes remain abundant. "Financing is readily available and interest rates remain low. Furthermore, corporate reforms that have taken place around the Tokyo Stock Exchange are encouraging corporates to optimise their balance sheets and not to sit on cash," he explains. "These corporates also have activist shareholders rattling their cages. The result is they are going out and buying companies."

NSSK, for its part, has completed its own CV transactions. "It just isn't something we really advertise," Tsusaka says. "We had a company in our second fund that we sold into Fund IV for over 4x, with an IRR of around 40 percent. With LPAC transparency and approvals on both sides, investors recognised that we knew the company, knew the industry, had the best management team and a winning operating playbook. It was a low-risk, high-upside situation on the buy side and a solid exit on the sell side: the perfect cocktail."

China's comeback

The big question when it comes to Asia private equity, of course, is whether or not China will stage a comeback.

Chan believes the signs are positive: "We are starting to see investors returning to China. They are attending AGMs and taking meetings. A big part of this renewed appetite is AI.

"Anyone looking to access the AI thematic holistically has to invest in

> *"The fundraising environment in Japan… is very different to the rest of the APAC region, and potentially the rest of the world. This is one of the easiest environments to raise money [in]"*
>
> **JUN TSUSAKA**
> **NSSK**

both the US and China. The US is more about frontier models, top-end computing and semiconductors, while China is largely about hardware-enabled embodied AI. The next stage of AI is going to be all about large-scale commercialisation and integration in the physical economy; China has the industrial density and manufacturing depth to support that."

China also has at least three structural advantages – cheap electricity, deep supply chains and AI talent. "All of that is going to support the development of AI in China and help drive a rebound in China fundraising, as well," says Chan.

Of course, growing protectionism is a potential obstacle. "The US Outbound Investment Rules became effective at the start of 2025 and restrict US investors from investing in Chinese entities involved in critical sectors including semiconductors, AI and quantum computing," says Yang.

However, Yang adds that while this did initially have an impact on Asia fundraising, managers are adapting in a number of ways. "Some are setting up parallel vehicles for affected investors; others are relying on excuse rights that have historically been used to allow investors to opt out from investments that will cause a legal or regulatory issue for them," he explains. "Of course, China funds with an AI-focused strategy may need to look for alternative sources of capital, often in the Middle East."

However, the China story is not exclusively an AI narrative. There are a number of old-guard managers preparing to come back to market with new funds, participants note; how successful those funds are in attracting capital remains to be seen.

"Unlike many other LPs and GPs, we have continued to believe in the China opportunity, but our focus is quite specific. We're predominantly looking to buy pre-AI-era Chinese assets on the secondaries market at a discount, while also looking to invest in the Chinese venture space going forward," says Coulter. "Back in the late 2010s, everyone was extrapolating economic growth and low private equity penetration, predicting that China would become the largest buyout market in the world. That didn't happen.

"This isn't to say that it won't happen over time – but for now, secondaries and venture capital remain the most compelling opportunities in China." ■